

# Review of the FY 2022 – FY 2026 Capital Infrastructure Planning Outlook

City Council

Item 331

February 9, 2021



Office of the Independent Budget Analyst



# Overview of CIP Outlook

Funding gap experienced largest increase ever

## Projected Priority and Discretionary Needs, Funding, and Gap



# Report Focus: Assets Driving Funding Gap

Gap is entirely made up of General Fund asset types

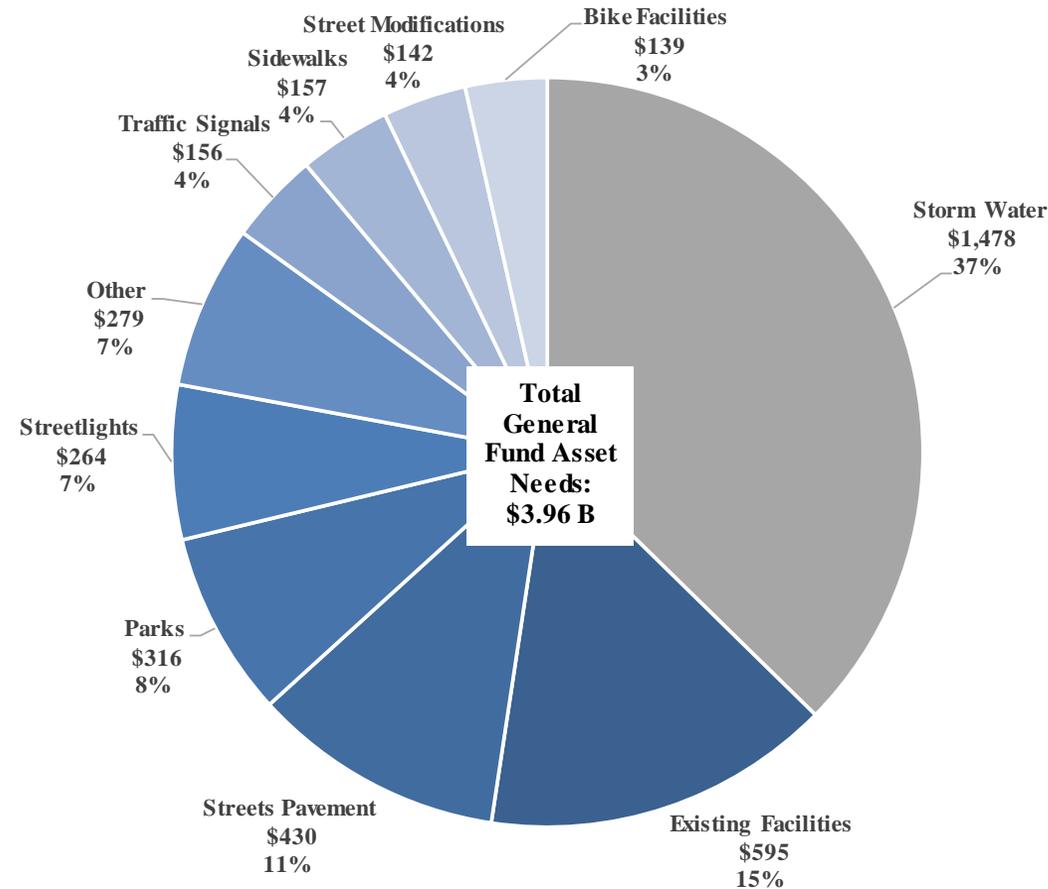
Summary of the Five-Year CIP Funding Gap for FY 2022 - FY 2026  
 (\$ in millions)

Asset	Funding Gap	Proportion of Gap
Storm Water	\$1,275.9	42%
Existing Facilities	538.8	18%
Streets and Roads - Pavement	280.5	9%
Streetlights	232.1	8%
Parks	198.2	7%
Traffic Signals	116.0	4%
Bike Facilities	108.1	4%
Sidewalks	107.2	4%
Bridges	54.1	2%
Streets and Roads - Modifications	42.5	1%
New Transportation & Storm Water Facilities	30.0	1%
New Libraries	27.5	1%
New Lifeguard Stations	6.7	0%
Fleet	2.3	0%
New Fire Stations	0.0	0%
<b>General Fund Asset Total</b>	<b>\$3,020.0</b>	<b>100%</b>
Pure Water - Potable Reuse	0.0	-
Wastewater	0.0	-
Water	0.0	-
Airports	0.0	-
Golf	0.0	-
<b>Enterprise Asset Total</b>	<b>\$0.0</b>	-



# General Fund Capital Needs Grew by 32%

## Largely driven by Storm Water



# General Fund Capital Needs Grew by 32%

## Large factors: deferred needs and rising costs

- Storm Water
  - Needs total \$1.5 billion over 5 years
  - **In FY 21, less than 1% of identified locations of concern for failure or flooding will be addressed due to current funding levels**  
(Community Flood Assessment)
- Existing Facilities
  - Capital needs continue to be deferred while new needs are coming due
  - **\$48m in priority capital needs reflected for FY 21 in last CIP Outlook, \$2.1m is budgeted for FY 21**

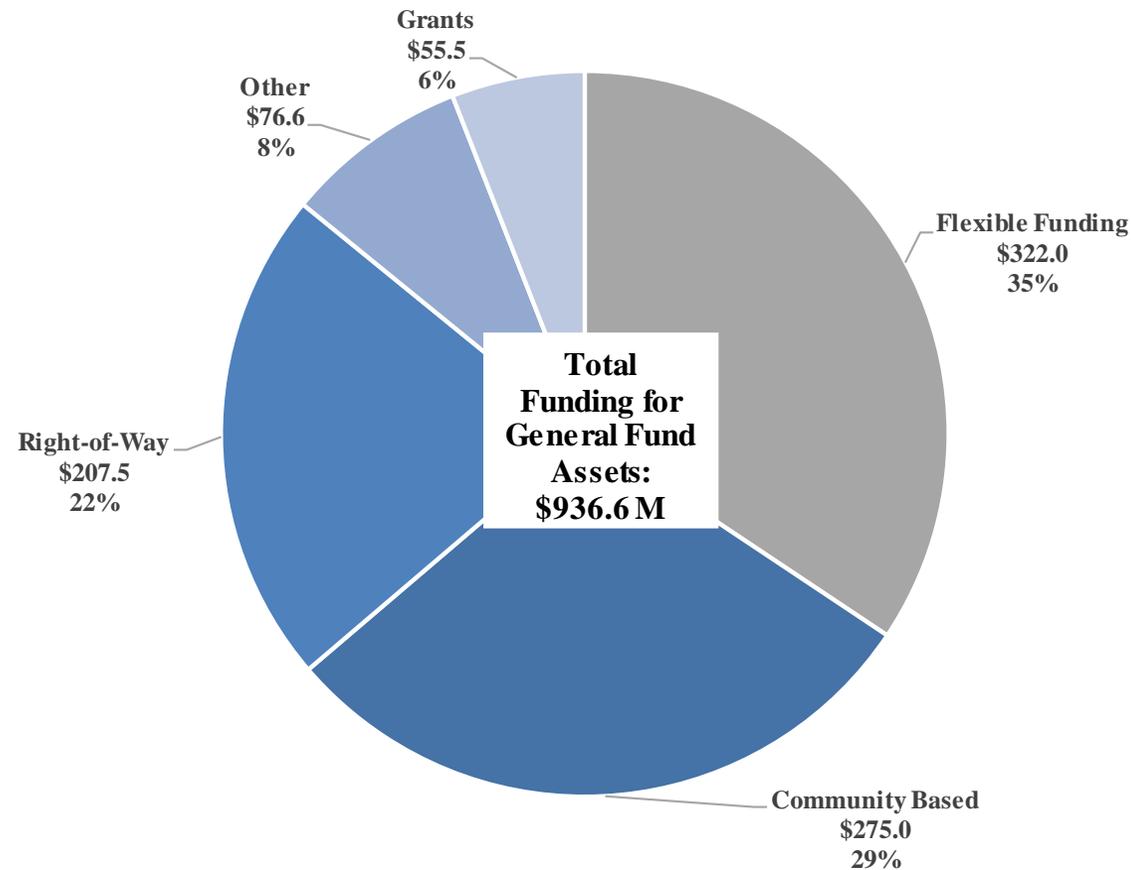
# General Fund Capital Needs Grew by 32%

## Large factors: deferred needs and rising costs

- Street Repaving
  - Average cost per mile for capital repair has almost doubled
  - Updated pavement condition assessment needed
- Streetlights
  - Needs estimated to increase by \$64m but expected to yield fewer streetlight installations due to rising costs
  - To achieve service level in Outlook, **\$53m needed annually, though FY 21 budget provides \$864,000**

# Projected Funding to Increase by 12%

## But \$3 billion remains unfunded over the next 5 years



# Projected Funding to Increase by 12%

## Observations on projections and allocations

- Financing
  - Based on spending patterns, City is likely to issue additional debt slower than assumed in Outlook, thereby **decreasing amount of revenue available** in the five-year window and **increasing funding gap**
- Impact Fee Revenue Allocations
  - Some allocations are for projects that are ineligible for funds or in locations unlikely to generate sufficient revenue
- COVID-Related Decline in Mission Bay Revenue
  - As of now, no transfer to fund eligible FY 22 CIP projects

# Major Takeaways

- Funding gap is expected to grow
- Continuing to defer capital needs results in inefficient use of limited funds
  - \$26m was diverted from other projects for storm water emergencies in FY 20, another \$26m expected in FY 21
  - **City has paid more for temporary fixes** than to replace or upgrade failed storm water infrastructure
- In addition to more revenue, closing the gap will also depend on the City's ability to increase capacity to spend additional funds
  - \$584m spent from CIP in FY 20, but priority needs average \$1.1b annually

# Items to Consider Moving Forward

Some ways to increase the CIP's capacity, there could be many others

- Identify how funds can be expended quicker
  - \$1.7b in the CIP carried forward into FY 21
- Continue to closely evaluate capital needs and assumptions that drive them
  - Are needs in the CIP Outlook planned and ready projects?
- Make strategic plans for high priority assets
  - Storm water makes up 55% of priority funding gap

# Items to Consider Moving Forward

Some ways to increase the CIP's capacity, there could be many others

- Mitigate future growth of funding gap
  - As routine maintenance is deferred, it turns into larger, more costly capital repairs
- Pursue efficiency measures
  - Council may wish to request an update on how the new Enterprise Asset Management System is currently performing and increasing efficient CIP implementation

# Council can Reflect Different Priorities in Budget

## FY 22 Assets Prioritized by Councilmembers

Asset Type	Need	Funding	Gap
Storm Water	\$ 186.5	\$ 60.0	\$ 126.5
Streets - Pavement	86.0	43.4	42.6
Parks and Recreation Facilities <sup>1</sup>	53.8	21.1	32.7
Library Facilities <sup>1</sup>	6.3	0.5	5.8
<i>Transportation Safety and Mobility</i>			
Street - Modifications <sup>2</sup>	64.6	42.7	22.0
Streetlights	55.3	11.7	43.6
Bike Facilities	32.1	11.0	21.1
Traffic Signals	29.4	10.1	19.3
Sidewalks	22.4	18.8	3.6
<b>Total</b>	<b>\$536.3</b>	<b>\$219.3</b>	<b>\$ 317.0</b>

<sup>1</sup> Includes new and existing facilities

<sup>2</sup> This includes \$106,000 funded for bus stop capital improvement